



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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April 13, 2016

Mr. Johnny Ford, Executive Director  
City of Compton  
205 South Willowbrook Avenue  
Compton, CA 90220

Dear Mr. Ford:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Compton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 1 – Debt service administration fees in the amount of \$50,000 are partially allowed. The Agency provided documentation to support annual bank administration fees of \$18,200. Therefore the excess amount of \$31,800 (\$50,000 - \$18,200) is not allowed. To the extent the Agency can provide adequate documentation, such as additional invoices to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) on future ROPS.
- Item No. 121 – Professional Services in the amount of \$60,000 are not allowed. Based upon documentation provided, it is our understanding these services are being provided to the Housing Successor Agency. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Compton (City) assumed the housing functions, professional services associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.
- Item Nos. 206 through 208 – Various projects totaling \$5,333,864 funded with housing bond proceeds and \$649,533 funded with non-housing bond proceeds. The Agency received a Finding of Completion on December 28, 2015 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. The Agency intends to transfer pre-2011 bond proceeds to the City of Compton Housing Successor (Housing Successor) and the City during the ROPS 16-17 period. To accomplish this, it is our understanding

the Agency has entered into three expenditure agreements (Agreements) with the Housing Successor and the City. The Agreements authorize the Agency to transfer \$5,333,864 in excess 2010A Housing bond proceeds to the Housing Successor and \$649,533 in excess 2010B and 2010C bond proceeds to the City. Before the transfer can take place, however, these Agreements outlining the transfer of pre-2011 bond proceeds must be approved by the Oversight Board (OB) and submitted to Finance for review. Therefore, Finance is approving the expenditure authority pending subsequent OB and Finance approval of the Agreements.

In addition, our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation Type reported for these items to "Bond Funded Project – Pre-2011." Such approval, however, should not be construed as approval of the applicable projects themselves as enforceable obligations.

- The claimed administrative costs exceed the allowance by \$316,700. HSC section 34171 (b) (3) limits the fiscal year 2017 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is \$250,000 for the fiscal year 2016-17. Although \$566,700 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$316,700 of excess administrative cost is not allowed.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$19,898,535 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Dr. Kofi Sefa-Boakye, Director of Redevelopment, City of Compton  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

**Attachment**

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 11,166,101	\$ 8,574,234	\$ 19,740,335
Requested Administrative RPTTF	283,350	283,350	566,700
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>11,449,451</b>	<b>8,857,584</b>	<b>\$ 20,307,035</b>
<b>Total RPTTF Requested</b>	<b>11,166,101</b>	<b>8,574,234</b>	<b>19,740,335</b>
<u>Denied Items</u>			
Item No. 1	(6,800)	(25,000)	(31,800)
Item No. 121	(30,000)	(30,000)	(60,000)
	(36,800)	(55,000)	(91,800)
<b>Total RPTTF authorized</b>	<b>11,129,301</b>	<b>8,519,234</b>	<b>\$ 19,648,535</b>
<b>Total Administrative RPTTF requested</b>	<b>283,350</b>	<b>283,350</b>	<b>566,700</b>
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	(33,350)	(283,350)	(316,700)
<b>Total Administrative RPTTF authorized</b>	<b>250,000</b>	<b>0</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>11,379,301</b>	<b>8,519,234</b>	<b>\$ 19,898,535</b>

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 8,415,071
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	8,165,071
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	566,700
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (316,700)</b>